

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 L-03 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-07 IO-13 NEA-10 NSAE-00
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 SSO-00 USIE-00 INRE-00 OIC-02 STR-06
/107 W

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O R 132013Z JAN 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 4241
INFO AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY DUBLIN
AMEMBASSY ATHENS
AMEMBASSY LONDON
AMEMBASSY HELSINKI
AMEMBASSY STOCKHOLM
AMEMBASSY COPENHAGEN
AMEMBASSY OSLO
AMEMBASSY MADRID
AMEMBASSY LISBON
AMEMBASSY ROME
AMEMBASSY BONN
AMEMBASSY OTTAWA
AMEMBASSY BERN
AMEMBASSY TOKYO

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E.O. 11652: N/A
TAGS: ETRD, OECD
SUBJECT: EXPORT CREDITS: MEETING OF CONSENSUS
PARTICIPANTS, JAN 9-13, 1978

1. SUMMARY: INTENSIVE NEGOTIATIONS BASED ON U.S.
PROPOSAL FOR AN INTERNATIONAL ARRANGEMENT ON

OFFICIALLY SUPPORTED EXPORT CREDITS PRODUCED A DRAFT TEXT COVERING PROCEDURAL ISSUES BUT WITH BRACKETS ON KEY SUBSTANTIVE PROVISIONS OF INTEREST TO U.S. AND OTHER NON-EC PARTICIPANTS. NEED FOR EC TO BROADEN ITS MANDATE IF THERE IS TO BE A NEW ARRANGEMENT RESULTED IN DECISION TO RECONVENE SMALL NEGOTIATING GROUP ON FEBRUARY 15-17 AND PLENARY MEETING ON FEBRUARY 20 TO FINALIZE A NEW ARRANGEMENT. MAJOR PROBLEM WITHIN EC GROUP WAS ADAMANT FRENCH OPPOSITION TO ANY INCREASE IN INTEREST RATE MATRIX, REPORTING ON EXPORT INFLATION INSURANCE PROGRAMS (ALSO OPPOSED BY UK) AND IMPROVED NOTIFICATION OF THE USE OF MIXED AND TIED AID CREDITS BEYOND THAT PROVIDED IN PRESENT CONSENSUS. END SUMMARY.

2. MEETING WITH KEY NON-EC DELEGATIONS AT BEGINNING OF WEEK INDICATED GENERAL SUPPORT FOR NOMINAL SUBSTANTIVE IMPROVEMENTS OF U.S. REVISED PROPOSAL BUT THEY WERE UNWILLING ADOPT PROPOSAL IF EC NOT RPT NOT A PARTICIPANT. AT PLENARY MEETING CANADA, SWEDEN, AUSTRALIA, JAPAN, PORTUGAL, FINLAND, NORWAY AND SPAIN SUPPORTED USE OF U.S. REVISED PROPOSAL AS BASIS FOR NEGOTIATION.

3. AFTER GENERAL ROUND OF COMMENTS CHAIRMAN (MORLEGHEM) ESTABLISHED INFORMAL DRAFTING GROUP LIMITED OFFICIAL USE

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CONSISTING OF AUSTRALIA, CANADA, SWEDEN, JAPAN, SPAIN, EC, U.S., AND OECD SECRETARIAT TO PRODUCE ACCEPTABLE TEXT. THIS DRAFTING GROUP PRODUCED TEXT OF NEW ARRANGEMENT BASED ON REVISED U.S. PROPOSAL BUT WITH CONTROVERSIAL ISSUES IN BRACKETS. FOR THE MOST PART BRACKETS WERE INSERTED BY THE EC.

4. WE WERE INFORMED THAT AT SEVERAL EC CAUCUSES STRONG PRESSURE WAS EXERTED ON FRENCH BY CHAIRMAN, GERMANS AND, OCCASIONALLY, UK REPRESENTATIVES BUT THEY FAILED TO OVERCOME FRENCH OPPOSITION TO KEY PARAGRAPHS WHICH U.S. DEL INDICATED WERE ESSENTIAL FOR U.S. ACCEPTANCE OF NEW ARRANGEMENT.

5. KEY U.S. PROVISIONS WHICH ARE NOW IN BRACKETS COVER FOLLOWING:

(A) INTEREST RATE MATRIX - U.S. CALLED FOR 1/4 PERCENT INCREASE IN INTEREST RATE TO INTERMEDIATE COUNTRIES WHEN REPAYMENT TERMS FALL IN 2-5 YEAR CATEGORY TO REFLECT HARDER TERMS FOR INTERMEDIATE COUNTRIES THAN THOSE PROVIDED THE

RELATIVELY POOR COUNTRIES. ALSO, 1/4 PERCENT
INCREASE IN INTEREST RATE TO THE RELATIVELY POOR
COUNTRIES WHEN REPAYMENT TERM IS OVER 8.5 TO 10
YEARS TO REDUCE THE ELEMENT OF SUBSIDY IN THESE

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OMB-01 SS-15 SSO-00 USIE-00 INRE-00 OIC-02 STR-06
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CREDITS AND REFLECT THE FACT THAT MONEY COSTS MORE AS THE REPAYMENT PERIOD IS LENGTHENED. IN ADDITION, TO ACCOMMODATE CANADIANS, U.S. SOUGHT EXTENSION OF REPAYMENT TERM FOR INTERMEDIATE COUNTRIES FROM 8.5 TO 10 YEARS WITH 8.0 PERCENT MINIMUM INTEREST RATE FOR THIS PERIOD.

(B) ANCILLARY INSURANCE PROGRAMS (EXPORT INFLATION AND EXCHANGE RISK PROGRAMS) - U.S. IS ONLY SEEKING ANNUAL REPORT ON THESE PROGRAMS.

(C) TIED AID CREDITS (INCLUDING MIXED CREDITS) - U.S. SOUGHT INCREASE PRIOR NOTIFICATION REQUIREMENT TO COVER CREDITS FALLING IN 15 PERCENT TO 25 PERCENT GRANT ELEMENT CATEGORY AND TO OBTAIN ANNUAL REPORTS ON THESE CREDITS. EC AGREED TO LATTER REQUEST BASED ON ACQUIESCENCE OF D.R.E.E. REPRESENTATIVES BUT SUBSEQUENTLY RENEGED AT INSISTENCE OF FRENCH MINISTRY HANDLING AID CREDITS.

6. INFORMATION EXCHANGE. THE OECD EXPORT CREDITS GROUP MET ON JANUARY 13 TO CONSIDER THE U.S. PROPOSAL TO ADOPT A STANDARD FORM FOR THE EXCHANGE OF INFORMATION ON EXPORT CREDITS. WHILE SEVERAL COUNTRIES POINTED OUT SPECIFIC DIFFICULTIES WITH THE FORM, THE GROUP AGREED TO USE THE PROPOSED U.S. FORM ON AN INTERIM BASIS UNTIL THE SPRING MEETING OF THE GROUP AT WHICH TIME EXPERIENCE WITH THE FORM WOULD BE EXAMINED. THOSE DELEGATIONS WHICH HAVE RESERVATIONS ON THE PRESENT REPORTING SYSTEM DID NOT INDICATE WHETHER THEY WILL ADHERE TO THE NEW FORM OR CONTINUE THEIR RESERVATIONS.

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7. AIRCRAFT DISCUSSIONS. U.S. DELEGATION MET WITH FRENCH AND GERMAN DELEGATES TO DISCUSS FINANCING TERMS FOR AIRBUS. GERMAN AND FRENCH DELS EMPHASIZED THAT CREDITS NEVER EXCEEDED 10 YEARS FOR THE AIRBUS AND THAT ONLY LEASING TRANSACTIONS HAD 12-YEAR TERMS, WHICH ARE IN CONFORMITY WITH THE AIRCRAFT STANDSTILL. GERMANS AND FRENCH SPLIT FINANCE AND INSURANCE ON A 50-50 BASIS WITH FUNDS PROVIDED PRIMARILY BY

COMMERCIAL BANKS AT FIXED INTEREST RATES WITH GOVERNMENT SUPPORT. GERMANS AND FRENCH WERE UNWILLING TO ACCEPT 15 PERCENT CASH PAYMENT OR INTEREST RATE MINIMA OF THE CONSENSUS. IN RESPONSE TO U.S. DEL INQUIRY ABOUT COMBINATION LEASE/CREDIT ARRANGEMENTS, BOTH GERMAN AND FRENCH DELS SAID THIS WAS NEVER DONE.

8. AT CONCLUDING PLENARY CHAIRMAN NOTED THAT NEXT MEETING WOULD BE DECISIVE ONE AND MEETING WOULD CONTINUE UNTIL AGREEMENT REACHED. IN THE INTERIM HE ASKED FOR AND RECEIVED ASSURANCE THAT ALL PARTICIPANTS WOULD CONTINUE TO OBSERVE THE PRESENT CONSENSUS.

9. IN PRIVATE DISCUSSIONS U.S. DEL WAS INFORMED THAT THE EC EXPORT CREDITS GROUP WOULD MEET ON JANUARY 24, WITH EC MINISTERIAL COUNCIL MEETING AT END OF JANUARY WHERE NEGOTIATING MANDATE FOR THE COMMISSION WOULD BE APPROVED. IT APPEARS THAT NOMINAL SUBSTANTIVE IMPROVEMENTS PROPOSED BY U.S. WILL NOT BE ACCEPTED BY EC WITHOUT HIGH-LEVEL REPRESENTATIONS TO EC COMMISSION AND MEMBER STATES BY U.S. AND OTHER KEY CONSENSUS PARTICIPANTS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
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Retention: 0
Review Action: RELEASED, APPROVED
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Review Event:
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Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3777581
Secure: OPEN
Status: NATIVE
Subject: EXPORT CREDITS: MEETING OF CONSENSUS PARTICIPANTS, JAN 9-13, 1978
TAGS: ETRD, OECD
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/3123fce3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014